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Author:
Dictaphone Sales Corporation, New York
Title:
Centralization vs. decentralization
Place:
[New York]
Date:
[1930]

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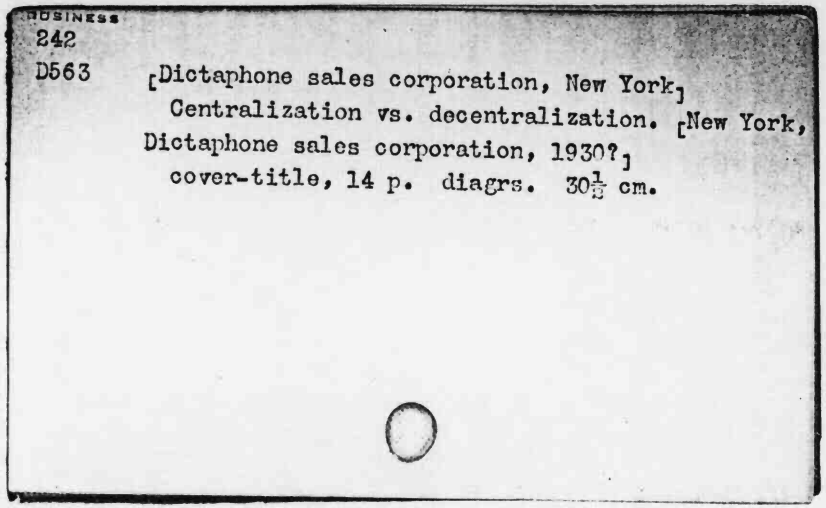
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Dictaphone sales corporation

Centralization vs. decentralization.

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242

CENTRALIZATION vs. DECENTRALIZATION

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Dedicated to our Friends, users of the Dictaphone, in appreciation of their co-operation in making available the material upon which this article is based.

L. L. Stowell
President
Dictaphone Sales Corporation

Business

D242
D563

THE chief objective of business is to produce a better product or service, or an equal product or service, at the lowest possible cost, for that is the direction in which profit lies.

Management, by calling science to its aid, has been able to reduce continuously manufacturing costs, and to maintain, at the same time, high wage levels. That part of the total cost of doing business, however, represented by office activities has been increasing constantly. The tremendous growth of our clerical army has caused a rising crescendo of disturbed comment throughout the ranks of business executives.

The attention of management, therefore, is now being directed with increasing emphasis to office costs, and the same scientific measurements are being applied to this phase of business that have already made possible reduced costs in the manufacturing of improved products.

Not many years ago the office was looked upon as a non-productive unit—a necessary evil. Today it is recognized as a production unit of equal importance with the factory. The activities of this unit of business, however, must be closely co-ordinated, for failure to do so is quickly reflected in the other divisions of an organization and thus directly affects its profits.

Several years ago the departmental idea of office activities was born, which was a big step in the direction of simplification.

The tendency today towards centralization of operation is a still bigger step in this direction, for it affords a richer opportunity for economical conduct of business operations.

Management is turning the microscope on office activities and a thorough study shows that despite the apparent complexities of office tasks—and there are hundreds of them—they can be reduced to three fundamental operations:

Corresponding and Interviewing
Calculating
Classifying or Filing

Correspondence and Related Activities

It is recognized that correspondence and its related problems form a most important part of office work. No business could long endure if the means of transferring ideas, thoughts, instructions, etc., in written form ceased to be available.

Correspondence is the record of the progress of a business and is the channel through which management puts its decisions into execution.

"Don't say it, write it," is a symbol of business progress. It eliminates our old friend "alibi", and the errors and misunderstandings caused by oral instructions which afford a wide avenue of waste in offices.

Correspondence is not only the connecting link between departments in a business, but is the principal and in some cases, the only contact business has with the outside world. It forms a very substantial factor in direct sales, and is largely the basis on which the calibre of an organization is judged.

Management's microscopic scrutiny of the diversified activities of business offices has conclusively evidenced the importance of written communications.

CENTRALIZATION vs. DECENTRALIZATION IN ITS RELATION TO CORRESPONDENCE PROBLEMS

Our experience indicates that it is a fair assumption that Centralization is advisable wherever possible. The question as to whether correspondence and its related activities should be centralized or decentralized can only be answered, however, after expert scrutiny of individual cases.

Such a study should be made, of course, by those thoroughly versed in the complexities of correspondence problems, and the results of such a study must then be translated into terms of the objective of management so that the needs of each individual business may best be served.

To cover properly the various situations that confront us daily, we have classified this subject as follows:

Decentralization—With Shorthand
vs.
Centralization—With Dictating Machines.

Centralization—With Shorthand
vs.
Centralization—With Dictating Machines

Decentralization—With Shorthand
vs.
Decentralization—With Dictating Machines

We shall consider these classifications in the order named.

Decentralization with Shorthand vs. Centralization with Dictating Machines

The tool of science is measurement, and in making surveys, we employ time studies or job analyses to determine the exact conditions.

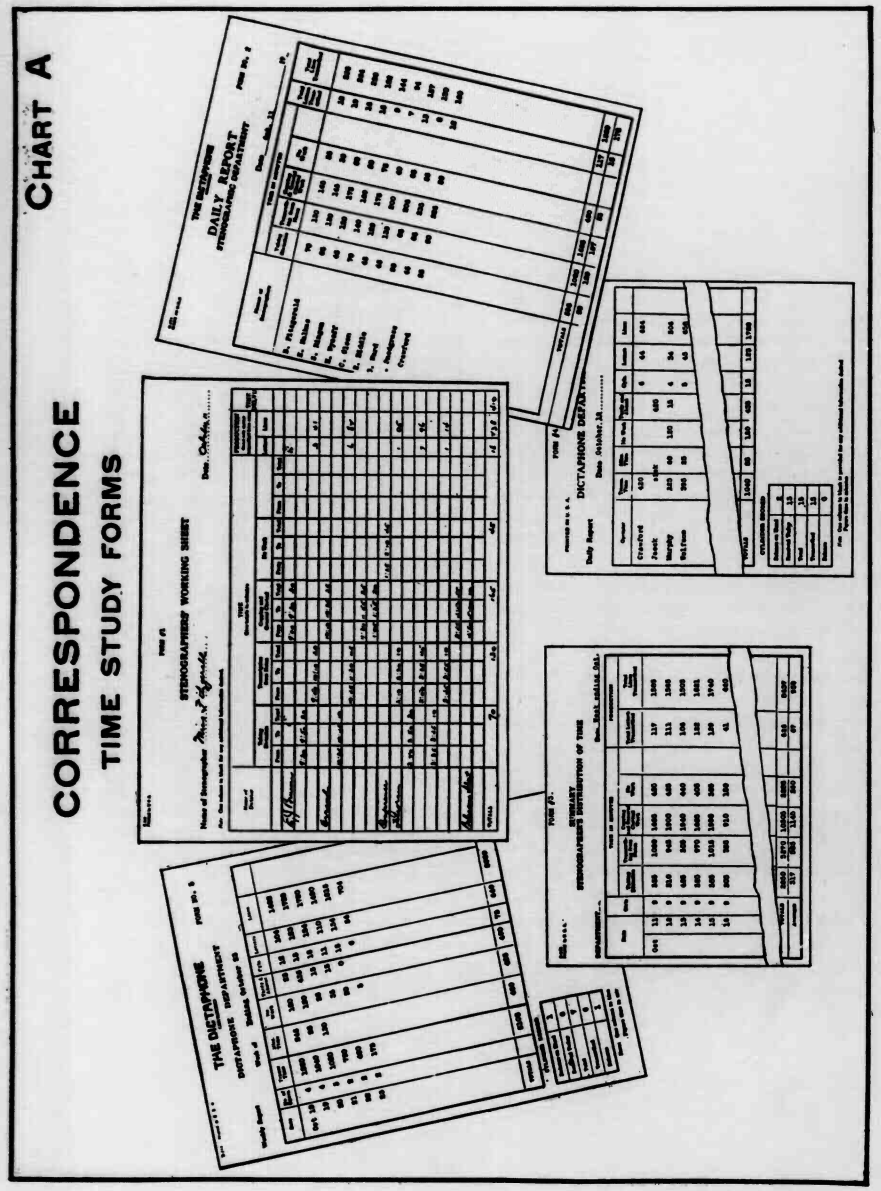
Results speak for themselves so that in presenting the accompanying charts little explanation will be needed. They present a composite picture of 500 recent surveys made in large and small offices where it was found advisable to centralize.

Chart A (Page 4) illustrates the simple, but flexible forms used in making time studies and job analyses and the data accumulated in a typical case. Form 1 shows the classification of the work performed and the time needed to perform it. These records are transferred each day to Form 2, which gives us the total production for the group each day. Form 3 provides departmental recapitulation of results shown on Form 2.

Such data forms the basis upon which is determined the question as to whether Centralization or Decentralization will meet the needs of each business effectively.

On Forms 4 and 5 are entered the records when dictating machines are installed and thus definite comparison of results can be made.

Chart B (Page 6) shows in graphic form the composite picture of the time studies of work



performed by stenographers in these 500 offices under the decentralized shorthand method. The total number of stenographers so classified was 2,512.

It will be noted that 45% of the average day was devoted to correspondence—29% in actually transcribing correspondence and 16% in taking dictation. Obviously, the use of dictating machines effects an immediate saving of the time spent in taking dictation, or 16%.

Copy work, which is closely related to correspondence, and clerical activities occupy 18.5% and 25.5% of the day respectively. Rest, or time unaccounted for, occupies 11% of the day.

It is evident that under Decentralization with shorthand all of these activities are being paid for at the same high salary level, but that when these activities are segregated and centralized, they may be performed at various salary levels depending upon their actual worth.

Under Centralization with Dictaphone dictating machines it is found that 422 minutes or 93.8% of each day can be devoted to transcribing with a rest period of 28 minutes or 6.2%.

It is astonishing to realize that if dictating machines had been used where advisable throughout the United States in the year 1929 this 16% saving of time in the actual taking of dictation would have amounted to the enormous total of 9,194,472,000 minutes, which at an average salary rate of $25 a week would have been a saving on this score alone for the entire United States of $91,025,272.80. (Federal, State, Municipal and Railroad offices not included.)

Chart C (Page 8) shows that under the decentralized shorthand method the production was 61 1/10 lines per hour, which included time for taking dictation, and under the centralized dictating machine plan the production was 123 9/10 lines per hour, or an increased production of 102 9/10%.

It requires, therefore, less than half the time to actually write dictated matter with dictating machines.

Under the decentralized shorthand method, the comparative cost for 1,000 lines was $9.91.

Under the dictating machine centralized plan, the cost per 1,000 lines was $4.95, or a reduction in cost of 49.9%.

The comparative cost per letter (labor cost of letter writing only) under the decentralized shorthand plan was 12.1 cents per letter and the cost per letter under the dictating machine centralized plan was 7.14 cents per letter.

Chart D (Page 10) shows personnel, material and equipment, and space released. It shows also that the return in profit on the investment in Dictaphone dictating machines in five years, after deducting the cost of equipment, was 615%.

Cross-Section of Industry

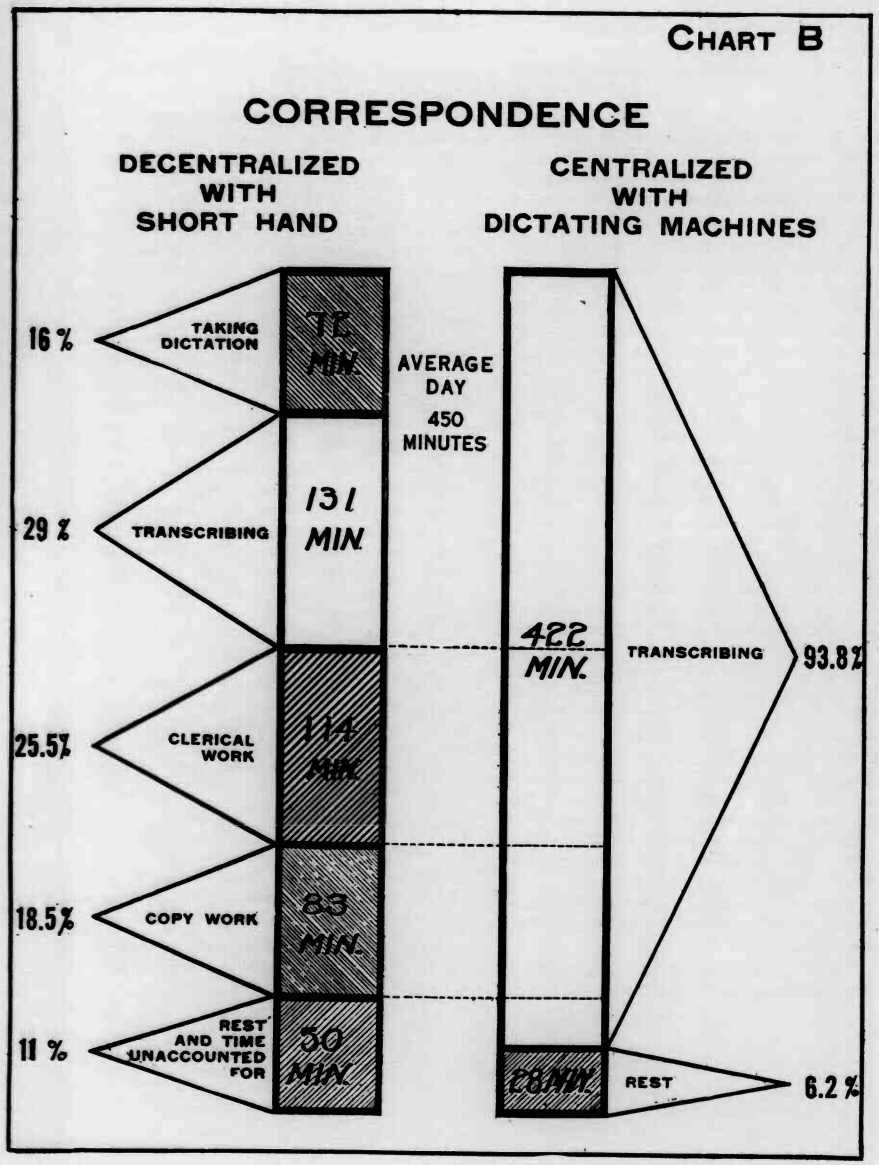
"My business is different" is a phrase we hear frequently and one that we believe expresses the natural human resistance to change. While this composite picture of 500 offices tells a very flattering story of the accomplishments of the centralized dictating machine plan in the organizations surveyed, we believe that a chart showing a cross-section of industry will provide more informative data as to what actually happens when Centralization with dictating machines is effected. We submit this *Chart E* (Page 12) as the answer to this most common objection to Centralization.

In summing up the advantages in personnel saving, space saving, equipment and material saving, etc., of the 500 offices in the composite chart, we are also drawing your attention at the same time to the advantages that accrue in this cross-section of 20 industries.

Personnel

It is in payroll reductions that we witness the most tangible direct profits that accrue from Centralization with dictating machines.

Chart D (Page 10) represents the completed survey of 500 offices which show an average personnel saving of 37%.



In the cross-section of industries (*Chart E*, Page 12) this personnel release was 42.3%.

This substantial reduction in personnel makes it possible to retain only people of the highest calibre for this class of work and offers opportunity of weeding out incompetent and mediocre types. Transfers of individuals are frequently made to other divisions where their knowledge of the business can be put to more profitable use. This, in turn, makes possible a higher standard of performance and a high rate of progressive efficiency which has a contagious effect on other office activities apparently unrelated.

Material and Equipment

Chart D (Page 10) shows that in the composite picture of 500 offices we have a saving in material and equipment which, of course, parallels personnel savings, namely 37%.

The cross-section of industries shows a reduction in material and equipment of 42 9/10%.

In this cross-section our estimated savings in material and equipment are based on the following costs:

1 Desk	$50.00
1 Chair	10.00
1 Typewriter	75.00

It will be recognized that this is a very conservative estimate for it does not include letter trays, waste paper baskets, clothes racks and other miscellaneous items.

Space

Chart D (Page 10) shows a space saving of 37% in the case of the 500 offices, and in the cross-section of 20 industries (*Chart E*, Page 12) a space saving of 42 9/10%.

In estimating space savings, we use a figure of 30 square feet for each desk space. This is again very conservative, for no allowances are made for aisles or locker space.

Where leases run over a period of years space savings cannot be classed as an immediate economy unless business can be expanded without necessity for rental of larger quarters.

The space released however, makes possible the creation of conditions under which other activities in an office can be properly performed.

Output

Three important factors are a part of this subject, namely: Speed, Quantity and Quality.

The composite picture (*Chart C*) shows an average production per hour of 123.6 lines under Centralization with dictating machines as compared with an average of 61.1 lines per hour under Decentralization with shorthand. This latter figure includes the time for taking dictation. This represents an increased production speed of 102.3%.

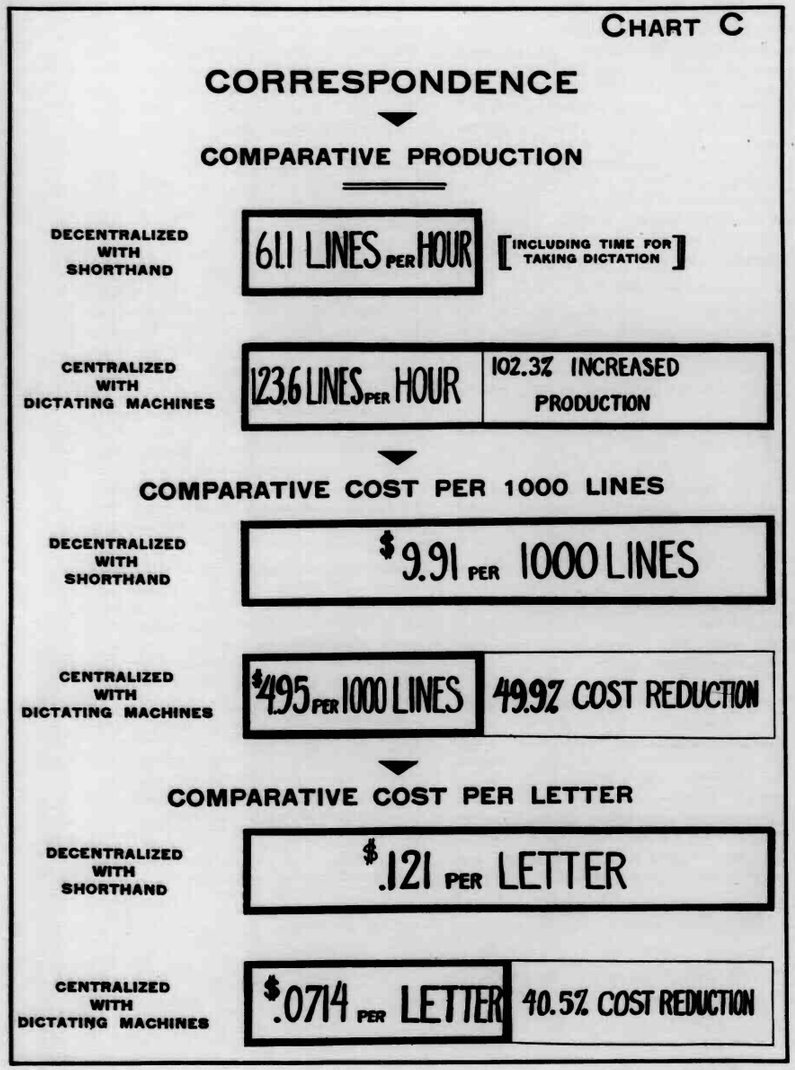
The cross-section of the 20 industries (*Chart E*) shows this in more detailed comparison, and it will be noted that the average production under Decentralization with shorthand is 58 lines per hour which again includes the time for taking dictation, and an average of 128.6 lines per hour under Centralization with dictating machines.

An increase in production speed of 121% is demonstrated here.

This is no reflection, of course, on the proficiency of the stenographic personnel, but merely emphasizes the increased production that is made possible with the centralized dictating machine plan through simplification and specialization.

Because of this increased speed, correspondence is returned to the dictator ready for signature in far less time than it is under Decentralization with shorthand, and thus production is speeded up throughout the entire organization which means improved service—and at a lower cost.

An interesting sidelight on production is the number of dictators whose dictation can be



taken care of by few dictating machine operators. Here are some examples:

Dictators	*Served by Dictating Machine Operators*
56	4
59	9
752	60
47	8
27	7
16	5

Total Savings

The general average of the 500 offices shown in the composite picture indicates that for each dollar invested in Dictaphone dictating machines, there is a return in profits of 615% in five years after deducting the cost of equipment. This includes, of course, the cost of machines for executives as well as those for the dictating machine operators.

In the 20 cases shown in detail, (*Chart E*) there is an actual saving of $639,542.27 in 5 years on the investment in dictating and transcribing machines of $84,798.68, or a return of 755%.

This cross-section of 20 industries includes only instances that are typical of the average every-day survey which we conduct. We have omitted extreme cases of high economy for purposes of conservatism. For example, we have cases where the lines per hour produced under Decentralization with shorthand were as low as 17 lines per hour and we have records under Centralization with dictating machines where the average number of lines produced for a group of 10 is 294 lines per hour.

It may be well to point out here that these results in savings or profits are actual results demonstrated after a period of from two weeks to thirty days under Centralization.

It will be obvious that since the best training for the job is on the job, even higher production rates are accomplished over a period of time.

It is axiomatic that every business is paying out of profits for the highest performance at the lowest cost regardless of what its actual cost of product and service is, for any excess cost over what the cost should have been is, of course, a deduction from profits.

It follows therefore that every business is paying out of profits for dictating machines even though it does not use them.

In connection with this, it may be surprising to realize that, making no allowance for the improved quality made possible, nor the speeding up of the business, the same amount of work which is costing $1.00 under Decentralization with shorthand can be accomplished for 63c. under Centralization with dictating machines.

Supervision

With definite standards of performance set up as to Quality, Quantity, and Output, intelligent supervision can not only maintain such standards, but continuously improve upon them. By employing systematic follow-up of the causes for errors or delayed work, supervision can not only improve the quality of the actual letter writing, but also the dictated matter itself.

Intelligent supervision tends to eliminate itself by establishing conditions under which the highest type of performance is made possible.

Errors can be minimized and even the tone and phraseology of the dictation can be improved. These qualities in letter writing are of extreme importance, for letters are the ambassadors of good-will or ill, and undoubtedly reflect the character of an organization.

In many offices correspondence manuals have been prepared to simplify and to insure correct letter writing.

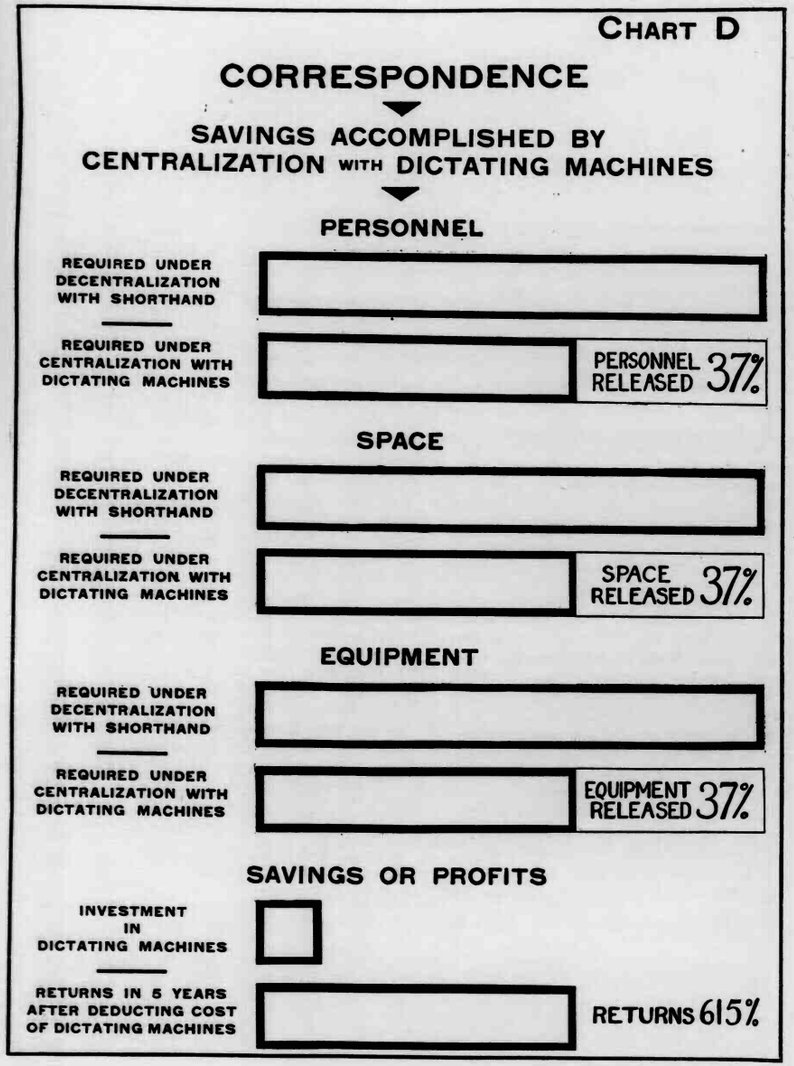
In one large insurance company, the percentage of errors under Centralization with dictating machines over a period of six months showed that 65 letters out of 34,586 were returned for correction, and in the majority of the cases, it is interesting to note that the fault lay with the dictator.

In a prominent light and power company, five letters out of three hundred are returned for correction.

CHART D

CORRESPONDENCE

SAVINGS ACCOMPLISHED BY CENTRALIZATION WITH DICTATING MACHINES


PERSONNEL
REQUIRED UNDER DECENTRALIZATION WITH SHORTHAND
REQUIRED UNDER CENTRALIZATION WITH DICTATING MACHINES
PERSONNEL RELEASED 37%
SPACE
REQUIRED UNDER DECENTRALIZATION WITH SHORTHAND
REQUIRED UNDER CENTRALIZATION WITH DICTATING MACHINES
SPACE RELEASED 37%
EQUIPMENT
REQUIRED UNDER DECENTRALIZATION WITH SHORTHAND
REQUIRED UNDER CENTRALIZATION WITH DICTATING MACHINES
EQUIPMENT RELEASED 37%
SAVINGS OR PROFITS
INVESTMENT IN DICTATING MACHINES
RETURNS IN 5 YEARS AFTER DEDUCTING COST OF DICTATING MACHINES
RETURNS 615%

In a nationally known manufacturing concern, the errors per 100 letters are less than 1%.

With the work properly charted and scheduled, the individual work can be closely watched.

Miscellaneous

Many other economies result from Centralization with dictating machines which, while freely admitted, are either difficult to set down in facts and figures or would require years to properly appraise.

Peak Loads

Peak loads can be practically eliminated when Centralization with dictating machines is effected.

Peak loads usually come in one division or department at a time, and are easily absorbed under the flexible centralization plan. This is particularly true also of vacation problems for the difficulty of switching employees from one division to another, as under Decentralization with shorthand, is not experienced.

We have much evidence in support of this statement.

Although this is a very real economy, it is difficult, if not actually impossible, to measure in terms of dollars and cents.

Labor Turnover

Measurement of work makes payment by results possible, and we advocate higher salaries invariably because of the greater production and better quality of work possible under Centralization with dictating machines. This higher salary level at lower unit cost avoids labor turnover.

In fact, in many companies there is actually a waiting list for these positions because of the higher salary earned. We are frequently told that this costly item is decreased enormously. In one of the largest mail order houses in the United States, labor turnover has been practically eliminated since Centralization has been put into effect.

Here again is a real economy which would require years to properly determine in dollars and cents.

Wage Incentives

There may be disagreement as to what is the best method of providing wage incentives, but it is generally agreed that some form of wage incentive is desirable and this is proved by the great variety of successfully applied wage incentive plans in daily use.

A wealth of informative data is available on this score.

A properly applied wage incentive plan will provide the stimulus for higher and greater production at a considerably lower cost, for it creates the proper mental attitude under which the highest performance is made possible.

Copy Work

Copy work usually, because of its nature, calls for a lower salary rating than the transcription of dictated matter.

In most cases it can be easily segregated and centralized with consequent increased production and economy. Separate bases of payment can be readily established.

We find a fair speed rate for copy work is 150 lines per hour, when Centralization is effected, although a higher performance than this can be accomplished.

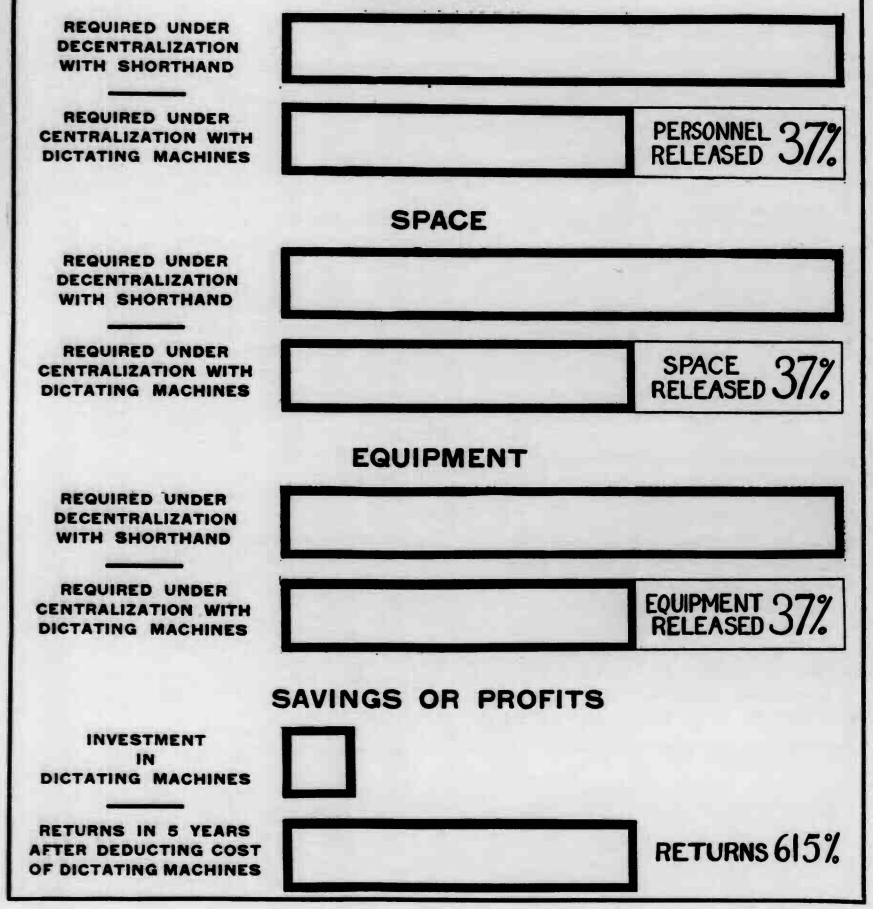
The nature of the work itself, and the conditions under which it is performed naturally determine this.

In some cases, where the quantity is very small, it is inadvisable to separate the copy work from the correspondence, but by establishing a separate basis of payment from dictated matter, economy can be gained and controlled very simply through supervision.

CHART D

CORRESPONDENCE

SAVINGS ACCOMPLISHED BY CENTRALIZATION WITH DICTATING MACHINES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In some cases, where the quantity is very small, it is inadvisable to separate the copy work from the correspondence, but by establishing a separate basis of payment from dictated matter, economy can be gained and controlled very simply through supervision.

CHART E

INDUSTRY	PERSONNEL			SPACE RELEASED	EQUIPMENT RELEASED	PRODUCTION		SAVINGS OR PROFITS	
	REQUIRED UNDER Decentralization WITH Short Hand	REQUIRED UNDER Centralization WITH Dictating Machines	PERSONNEL RELEASED			LINES PER HOUR		INVESTMENT IN DICTATING MACHINES	PROFIT IN 5 YEARS AFTER DEDUCTING COST OF DICTATING MACHINES
						Decentralized	Centralized		
Aircraft	4	2	2	60 sq. ft.	$ 270.00	47	123	$3,450.00	$11,550.00
Asbestos	13	9	4	120 "	540.00	58	118	4,198.50	18,967.50
Automobiles	4	2	2	60 "	270.00	56	141	1,386.00	13,114.00
Bank	8	5	3	90 "	405.00	59	125	1,588.50	24,962.24
Bonds	10	7	3	90 "	405.00	54	118	3,374.00	14,876.00
Chain Store	20	10	10	300 "	1,350.00	59	122	6,325.00	32,422.16
Carbon Products	11	8	3	90 "	405.00	67	116	2,353.50	18,856.50
Electrical Supplies	4	3	1	300 "	135.00	57	122	1,210.00	5,290.00
Farm Implements	15	9	6	180 "	810.00	52	112	5,885.00	39,815.00
Hospital Supplies	24	11	13	390 "	1,755.00	53	120	3,747.75	64,775.00
Furniture	5	3	2	60 "	270.00	64	128	1,725.00	13,842.00
Insurance	23	14	9	270 "	1,215.00	50	143	7,443.94	58,173.39
Office Appliances	11	6	5	150 "	675.00	65	113	3,096.00	22,404.00
Oil	18	9	9	270 "	1,215.00	62	120	3,640.50	70,762.52
Optical Instruments	10	6	4	120 "	540.00	67	178	5,855.00	49,145.00
Railway Service	11	8	3	90 "	405.00	54	129	3,487.33	18,313.67
Refrigeration	17	5	12	360 "	1,620.00	58	127	7,495.00	52,525.00
Steel Manufacturing	16	10	6	180 "	810.00	66	139	8,103.25	53,114.55
Soap	3	2	1	30 "	135.00	49	150	1,463.00	9,650.00
Wire	24	16	8	240 "	1,080.00	65	129	8,971.41	47,043.74
	251	145	106	3,180 sq. ft.	$14,310.00	58	128.6	$84,798.68	$639,542.27
			42.3% REDUCTION	42.3% REDUCTION	42.3% REDUCTION		121% INCREASED PRODUCTION		RETURN ON INVESTMENT AT RATE OF 755%

In very rare cases, because of the highly specialized knowledge required to perform the task, special handling must be devised for copy work. Only close scrutiny, however, can determine in these cases.

Clerical Activities

Much of what has been said of copy work applies to clerical activities. These activities are of such a complex nature that only expert scrutiny can provide the proper answer to their correct handling.

It is found, however, that much of it can be broken down to its fundamental tasks and transferred to other related activities with consequent benefit and economy to the company.

Where this is done we do not include it in our economies.

Concentration of these activities, however, usually creates simple and more effective ways of handling with consequent economies to the company.

Centralized Shorthand Department vs. Centralized Dictating Machine Department

We have given you the story of Decentralization with Shorthand versus Centralization with Dictating Machines, and the following specific instances will indicate what actually happens when a centralized shorthand department is centralized with dictating machines.

In an office equipment company a time study of a centralized shorthand department showed that 31 girls, earning approximately $25.00 per week each, or a total payroll of $775.00 per week, served 55 dictators.

When Centralization with dictating machines was effected, after only 30 days of operation, it was found that 19 girls, averaging from $27.00 per week for dictating machine operators to an office girl at $12.00 per week for shaving and collecting cylinders, with a total payroll of $421.50 per week, were serving 59 dictators, this group of 19 girls doing all of the clerical work, copy work and dictated matter which was formerly done by the 31 girls under Centralization with shorthand.

In still another organization, a survey of a centralized shorthand department showed that in 1926, 10 stenographers were serving 11 dictators. After the establishment of the centralized dictating machine plan it was found that in 1928, six dictating machine operators were serving thirty dictators, with a saving of 173% in personnel—an illustration of progressive efficiency.

After deducting the total cost of equipment, $5,856.00, the net saving for this organization through the adoption of the Centralized dictating machine plan was $18,856.00 in the two years.

Decentralization with Shorthand vs. Decentralization with Dictating Machines

It is comparatively simple to set down the facts of economy when Centralization with dictating machines is advisable and effected, for here many of the economies are definite and tangible.

Nevertheless, the time economies which come from the use of dictating machines under the decentralized plan are very real.

With dictating machines the shorthand secretary regains 16% of her day, (see Chart B) to devote to administering the duties of her chief.

From the executive point of view, not less than 75% of his daily tasks are routine, that is, they consist of situations covered by prior decision.

We do not decry the value of the secretary by any means. She is, or should be, the alter ego,

i.e., the other self, of the executive, and the gaining of 16% of her time frees her to take over and administer just that much more of the projects of her chief, which, in turn, releases for him additional time to handle the exceptions of his task. How much this economy amounts to must always be a matter of speculation.

Nor do we know how to measure the value of the time economy effected and the energy saved by the instant availability of the dictating machine to record immediately ideas and inspirations which otherwise would be lost. We quite frequently advocate the use of a dictating machine for the secretary, to enable her to further relieve the burden of the executive, for in this way the executive is permitted to multiply his effectiveness many times.

Although we have much testimonial evidence to support this time economy, it is difficult to translate in terms of dollars and cents.

One of the largest concerns in the United States, however, in an independent investigation, arrived at the conclusion that the executive saves 13% of his time each day by the use of dictating machines.

On this basis an executive receiving $5,000.00 per year would save $650.00 and a secretary would save $240.00 a year, or 16% of her time at $30.00 per week; a total of $890.00 a year or approximately $5,000.00 in 5 years.

Pros and Cons

The objections we meet, both as to Centralization with dictating machines and Decentralization with dictating machines are almost entirely based on misunderstanding, and the process employed to meet these objections is naturally one of education.

"My Business is Different" is the objection most frequently met and we believe we have answered this objection by the results shown in the cross-section of industry.

One of the main objections on the part of department heads or semi-executives is caused by the feeling of loss of control. It is felt that the work will not be done as well, or that it will not be done as quickly. This is in many cases an honest objection, which disappears, of course, as soon as the actual results are demonstrated. It is apparently difficult to realize at first that this loss of control over the operation of letter writing is distinctly to the benefit of the executive for it releases him of this responsibility and allows him to apply himself to the tasks which more closely concern him.

Then there is the human relationship between the executive and his secretary, and the answer is found in "the needs of the business must be served first."

On the girl's side the most frequent objection is the fear of the loss of her shorthand speed. This is clearly a misunderstanding, for, as often occurs, when a girl has been away from her job for some months because of sickness or for other reasons, it requires but little time to regain her shorthand speed.

As a matter of interest, a few minutes practice each day from a dictated cylinder will not only maintain shorthand speed, but actually increase it.

Here again it is a question of education—educating the girl to realize that shorthand is only a means to an end, and that if her ultimate economic condition is bettered by using the dictating machine, the objection disappears rapidly.

In conclusion, may we state again that before the question of Centralization vs. Decentralization in its relation to correspondence problems can be answered effectively, it is essential that a careful study be made in every case, all the facts gathered and this data translated into terms of the objective of business—to produce a better product or service or an equal product or service at lower cost.

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